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China Report

ECONOMIC AFFAIRS

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27 February 1986

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

ZHAO ZIYANG, TIAN JIYUN INSPECT HENAN FROM 22 DEC

HK271253 Hong Kong LIAOWANG OVERSEAS Edition in Chinese No 3, 20 Jan 86 pp 4-5

[Article by Liu Yunlai [0491 0061 5490]: "Guiding Urban and Rural Reforms to Develop in Depth and Breadth--Zhao Ziyang and Tian Jiyun Inspect the Progress of Reform in Henan"]

[Text] Premier Zhao Ziyang and Vice Premier Tian Jiyun of the State Council went down south to the central plains and made a 6-day inspection trip to Xinxiang, Jiaozhuo, Zhengzhou, and Keifeng, Henan on the eve of 1986.

Zhao Ziyang and his party endured the hardships of a long journey in light vehicles with a small entourage. They inspected factories and villages as they drove along, holding discussions, exploring with cadres and the masses the new conditions, new experiences, and new problems emerging in urban and rural reforms, studying new measures and new methods guiding urban and rural reforms to develop in depth and breadth. Zhao Ziyang said: This time I have seen quite a few places, and they have made a pretty good impression on me.

New Trends in Rural Development

Zhao Ziyang and his party came to Henan for the inspection on the very day the National Conference on Rural Work was concluded--namely, 21 December 1985.

They arrived at Liuzhuang, Oiliyang Township, Xinxiang County on the morning of 22 December, and listened to a briefing by Shi Laihe, secretary of the township general party branch. Then they visited the village-run factories, some peasant families, and pastures. According to Shi Laihe, Liuzhuang has been running some industry and sideline production in recent years, and the gross industrial output value has exceeded 5 million yuan. With the development of industry and sideline production more financial resources have been spent in purchasing farming machinery and chemical fertilizer to support the development of grain production. Now, unified work appointment of the labor force engaged in industry, sideline production, and farming throughout the village is being implemented, with the same pay for the same kind of work, and the income for each work day is more than 6 yuan whether in farming, animal husbandry, or industry and sideline production. A situation of prosperity has emerged in recent years with industry sideline production, diversified

management, grain production, and animal husbandry advancing together and vying for progress in recent years.

Zhao Ziyang nodded approval upon hearing this and commented that in places where a good job is done in industry and sideline production, a good job is also done in farming. Here the key question is to help agriculture with industry, and to support agriculture with sideline production. This is true not just in a locality, and the whole country as well.

In recent years, Henan has got rid of the old track of "taking grain as the key link" in agriculture, and industry and sideline production have maintained their momentum of rapid development. However, due to factors such as the rise in prices for production means and in agricultural production costs, the peasants' enthusiasm for grain production has weakened somewhat. People are worried that the phenomenon of a gradual shrinkage in grain production will emerge along with the gradual growth of industry and sideline production. In 1985, some localities adopted such economic means as helping agriculture with industry to regulate the economic interests of different trades in the rural areas, with the aim of bringing into play the peasants' enthusiasm for grain production, and the results are obvious. In Xinxiang area, three forms have been adopted in supporting agriculture with industry: quota subsidies based on area of grain planted are given to the peasants from the income of rural enterprises; a distribution system based on unified payment is implemented among the labor force engaged in farming and the labor force engaged in industry and sideline production in the whole village; all of the village's land and farming machinery and instruments have been transferred to the management of a small number of farming experts under contracted responsibilities.

Zhao Ziyang and Tian Jiyun attach great importance to these conditions. Zhao Ziyang says that, from the trends of development, China's rural areas must solve the question of helping agriculture with industry and supporting agriculture with sideline production right in the locality. Without a solution to this question, the development of the rural areas will go away. This question should be on the agenda. The forms of helping agriculture with industry may vary, and measures must be suited to local conditions. In Liuzhuang's case, the majority of the labor force are engaged in industry, with only 8 percent of the labor force engaged in farming. And the annual grain output for each person is 60,000 jin, a very high labor productivity. In the future, family farms are likely to appear in some places like southern Jiangsu, with one household farming the land of two households and more. Such family farms have no need to employ many workers, they basically do not need to hire workers in operation, they need only a small-type tractor and a few hands to help in busy seasons. China's agriculture should take the road of combining farming with industry and specialization, and family farms, which can be described as large-scale farming households under contracted responsibility, will emerge.

In Huixian and Dengfeng Counties, Zhao Ziyang and Tian Jiyun listened carefully to the report of the responsible person of the county CPC Committee on the conditions in the rural areas. They walked into the courtyards of the

peasants, and raised one question after another with the peasants. The reports of two county CPC committees and the answers of the masses have further proved the conclusions and thinking on the new trends in rural development mentioned above.

A Pressing Topic For Urban Reform

With carrying out reform of economic structure, China is gradually implementing the method of enterprise management with economic means in the main, in order to bring into play the decisionmaking power of the enterprise, and the administrative system to be adopted by key cities in leading enterprises is the key to whether it is possible to invigorate enterprises in the next step.

Before their inspection tour of Henan, leading members at the central level such as Zhao Ziyang and Tian Jiyun had noted this question. Some cities in Henan have abolished the original bureaus which directly controlled enterprises with administrative means, and established committees or offices (new organs with coordination and service as their chief tasks). The State Council leadership holds that this way is basically correct. However, why has this measure not been implemented in many other localities? Where is the actual resistance to the organic reform in key cities? That was another major problem to be investigated and studied in Henan by Zhao Ziyang and Tian Jiyun.

In Xinxiang City and Jiaozhuo City, Zhao Ziyang, and Tian Jiyun inquired again and again about local industrial leadership systems, encouraging them to explore new ways through practice, and to bring into full play the decision-making power of enterprises, in order that enterprises will genuinely become independent producers and managers with the initiative in their own hands.

From Xinxiang to Kaifeng, Zhao Ziyang and Tian Jiyun gained a deeper understanding of the question of organic reform of key cities, and their opinions were confirmed. On 26 December, in his speech delivered to cadres of organs directly under Henan provincial authorities in Zhengzhou, Zhao Ziyang said: Our original plan for reform was to delegate enterprises at central and provincial levels to key cities, then to work out a solution to the leadership of key cities over enterprises. How are key cities to practice leadership of enterprises delegated to them? The method of administrative departments controlling enterprises must be changed. The enterprises handed over must not be controlled by the original bureaus, with the continued separation of departments from localities. There must be a great change in the concept and style of key cities running enterprises. This will inevitably involve the organic reform of the urban areas. If urban organs do not undergo corresponding reform, without changing old concept and past practice, I think it will be very difficult to implement the decisionmaking power of enterprises, and the external combination of enterprises will be restricted. Therefore, it is imperative to put the organic reform of key cities on the agenda.

Zhao Ziyang said: I began to think about this issue when I was in Beijing and now I am being enlightened here. Through finding out about the conditions of Kaifeng yesterday, my view on this issue has been further confirmed.

Talking with the cadres of the city CPC committee in Kaifeng, Zhao Ziyang said: Now the enterprises are all being left in your charge. You are faced with reforming the administrative organs to make them suit this situation. If reform is not carried out this year, it will have to be done next year; and you do not have to wait till the central authorities and the provincial authorities have carried out their reform. Medium-type cities may reform their organs first, they have to do it anyway; the earlier the reform, the sooner they can take the initiative in their own hands. Tian Jiyun followed, saying: In organic reform, it is necessary to strengthen comprehensive economic departments, economic supervision departments, and economic judicial departments, to streamline intermediate layers, and to cut back administrative departments.

Pushing Forward Horizontal Economic Combination in a Big Way

Henan is located in the central plains, with good communications links. Henan Provincial CPC Committee regards this geographical position as its unique natural resource, and takes an active part in developing horizontal economic combinations with other provinces. So far, Henan has already signed more than 800 projects economic and technological cooperation with more than 20 provinces, municipalities, and regions, which has promoted the development of natural resources and technological progress in Henan.

Zhao Ziyang and Tian Jiyun expressed their admiration for Henan's "wise act." Zhao Ziyang said: It is very important to develop the economic and technological ties with other provinces in order to promote Henan's economic construction. If a good job is done in this work, it will bring Henan's economic construction undreamed of result. It is particularly necessary to strengthen the economic and technological cooperation with the coastal areas, bringing in Henan the technologies, qualified people, capital, and managerial experience of the coastal areas.

The responsible member of the Kaifeng City CPC Committee reported to Zhao Ziyang and Tian Jiyun on the Kaifeng cotton rubber shoes factory and Kaifeng sewing machine manufacturing general factory, which have come back to life through joint operation with Shanghai, and their tentative idea of further doing a good job in horizontal economic combination with other provinces and regions. Zhao Ziyang was very excited upon hearing this, saying: I heard that a good trend had emerged in horizontal economic combination between enterprises when I was in Beijing. Now that I can see it with my own eyes, I am left with a deeper impression. It seems that the trend of horizontal economic combination is in the ascendant. This issue should catch the attention of leaderships at all levels, and be regarded as an important issue in reform, by adroitly guiding action according to circumstances and summing up experiences to be spread.

Zhao Ziyang fully affirmed the importance of the horizontal economic combination. In a discussion with Henan's cadres at provincial level in Zhengzhou, he stressed: While carrying out the horizontal economic combination between enterprises, not only will the barriers between departments and localities be broken down, weakening the concept of departments and localities, but the structure of enterprises will inevitably be promoted in a rational direction, which could result in diverse forms of enterprise groups. Such groups are different from our department ownership and administrative companies in the past. They are developed under the conditions of mutual dependence, mutual supplement, and mutual benefits on the basis of equality of enterprises as well as centering on the needs of production development. This will inevitably result in promoting the further development of productive forces. Enterprise groups will form economic combinations, including the accommodation of funds: through combination, funds, equipment, and labor force will be used rationally, and the two parties concerned will share their development on the basis of mutual benefits.

Zhao Ziyang and Tian Jiyun said they hoped that Henan would study and explore the new problems, and new conditions in this respect. Will it be possible for transregional enterprise groups combining many trades to emerge in the future, as well as ownership by shareholders? Will it be possible for the investment targets of the state to gradually transfer to enterprise groups? How are we to transform our banking system?... A series of new topics worthy of our study are facing the leaders of economic work at all levels.

Zhao Ziyang and Tian Jiyun encouraged Henan's leaders at all levels to make in-depth investigation into reform, and to be bold in exploration in order to provide good answers for these questions.

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CSO: 4006/692

NATIONAL POLICY AND ISSUES

PRC OFFICIAL ON SOCIALIST PRICE PATTERN

HK280805 Beijing JINGJI RIBAO in Chinese 18 Jan 86 p 2

[Report: "President of China's Society of Commodity Prices Liu Zhuofu on Searching for and Establishing a Socialist Price Pattern with Chinese Features"]

[Text] At the fourth annual meeting of China's Society of Commodity Prices called not long ago its president, Liu Zhuofu, said that in searching for and establishing a socialist price pattern with Chinese features, we should clarify three points through discussion.

First, we should establish a basis for a socialist price pattern with Chinese features. He held that in principle, the socialist economy is a planned commodity economy. This provides a fundamental basis for the establishment of a socialist price pattern with Chinese features. But we still cannot confine our understanding to this stage. We must still concretely study the establishment of a concrete basis for a price pattern. This includes: 1) the functions of prices. A price pattern concerns the problem of what form price functions should assume in playing their role. Socialist price functions have not only the common character of the general functions of prices but also their own peculiar functions. In the past, our understanding of socialist price functions was one-sided. They were merely treated as a means of planned accounting, and the development of prices as a lever was limited. Through discussion in the past few years, everyone has arrived at a relatively similar view that the function of regulation is a fundamental function of prices. Socialist prices also have the function of accounting. But the accounting function of socialist prices has not only general common character but also specific character. This is to say that we not only compute the economic results of an enterprise but also work out the economic benefits for society as a whole. Socialist prices also have the function of distribution. For example, how to correctly handle the relations between the distribution function of prices and their regulating function is a problem that we should first make clear in our study of the price pattern. 2) We must consciously understand and use the law of value. Our experience in reform shows that the method of "shepherding" [fangyang 2397 5017] used to straighten out prices does not work. Our policy of opening up and enlivening things is based on an understanding of the law of value and is a way of consciously applying the law of value. In consciously using the law of value, the most important thing is

to work on bringing about a balance in supply and demand where total quantity is concerned. This is to say that in line with the second meaning of the socially required time of labor as defined by Marx, we must distribute the time of labor among various sectors of the national economy. We should only liberalize prices if this is conducive to the realization of an overall balance in supply and demand. If we run counter to the law of value and negate its capacity for spontaneously asserting its role, this is wrong. But if we go to another extreme overlooking and even denying the possibility of consciously using the law of value on our part, this is equally wrong. 3) We must give consideration to conditions required for prices to assert their role. For prices to assert their functions and play the role of a lever depends on necessary conditions. The most important thing is to proceed from the national conditions of China. There are several other concrete conditions for the development of the role of prices. a) Prices must reflect value; the phenomenon of distortion must be avoided, and b) there must be a relatively perfect market system. In addition, an enterprise should become a commodity producer or operator operating on its own and assuming responsibility for its own profits and losses.

Second, what features should a socialist price pattern with Chinese characteristics have? Liu Zhuofu held that a socialist price pattern cannot be summed up only with its features in regard to the price pattern or price policy decisions. Our price pattern in future should have the following several features: 1) Where the formulation of planned prices is concerned, we should persist in taking value basis. Meanwhile, we must put the factor of supply and demand in an important position. National policy formerly formed the main basis for our setting prices. This will in future remain an indispensable basis. But there should be the following several changes: a) A national price policy must also be based on value and the changes in the relations between supply and demand. b) Under special circumstances, we may allow the prices of certain products to be detached from value and from changes in supply and demand. But this can never become a long-term universal pricing policy. In so doing, there must be appropriate measures to form part of the whole. Moreover, future national policy should call chiefly for macro control, that is, control over the general price level, and not for excessive micro control, that is, control over the formulation of concrete prices. We should increase indirect control and reduce direct control. 2) Pricing should follow multiple patterns. At present and for some time to come, we should concentrate on following the floating prices whose range is set by the state. For a number of products, unified prices and free-market prices will still be followed. This is a relatively ideal choice of price patterns at present and for some time to come. As long-term targets of pricing reform, I think that we should still have list prices, floating prices, and free-market prices existing at the same time. But we should properly increase the proportion of free-market prices. In case of need, we can also increase at any time the proportions of floating prices and list prices, depending on circumstances. 3) The price control system should involve many levels. In regard to the power of control, we should uphold the principle of combining unified leadership with control at different levels and introduce a system of control at state, regional, and enterprise levels. The state should, take controlling

the general price level, maintaining the fundamental stability of commodity prices and ensuring economic growth and a gradual improvement in the people's living standard as its main task. This is done chiefly through economic means. Every effort is made to achieve a fundamental balance in overall supply and demand in a macro sense. The state must also exercise direct control over the prices of certain important commodities and the extent of fluctuation. Meanwhile, it must work out necessary laws, regulated policies, and also principles guiding the setting of prices. Under the guidance of the state, departments in charge in various areas should work out local pricing policies and pricing plans with local features in mind. Meanwhile, they should control local prices and changes for important commodities. Under the guidance of state policy, enterprises and economic units should also have the power to decide on prices--power compatible with the reform of the system.

Third, in the process of switching over from old to new patterns in the reform of the price structure, we should pay attention to the following problems:

1. Given the irrationality of our pricing system, many prices need to be readjusted. The commodities involved are often big items bearing on national planning and the people's livelihood. Contradictions between supply and demand are relatively prominent. Given sudden liberalization or sudden readjustment, the state's financial state and the capacity for absorption on the part of enterprises and the masses of people must be taken into consideration. Consideration must also be given to the fact that our market mechanism is still not perfect. Price supervision and pricing laws and regulations still leave something to be desired. The management level of cadres still falls short of requirements. Moreover, we still lack experience in management given a new situation. Therefore, we can only adopt a method of "advancing gradually" and carry out reforms step by step.

2. We must pay attention to properly handling the relations between the readjustment of the price structure in the reform of the pricing system and the general price level. The current reform of our pricing system is a structural reform. Generally speaking, this will not cause inflation. But we must also pay attention to factors causing instability in the general pricing level.

3. We must carry out the guideline of combining liberalization with readjustment and strengthen control amid liberalization and readjustment. Experience acquired at a previous stage shows that the guideline of combining liberalization with readjustment is correct. What needs to be studied now is how to strengthen control amid liberalization and readjustment. Plan-related prices that should be readjusted must be readjusted in a planned manner and cannot be freely readjusted in regard to scope and degree. Those commodities that should be liberalized also cannot be freely liberalized. In a sense, we should be able to bring liberalization to the extent that things are under control in the liberalization of commodity prices. In liberalization, we must give consideration to management and control and especially control over the general price level.

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ECONOMIC DEVELOPMENT ZONES

QINGDAO MAYOR ON CITY'S DUAL ROLE IN ECONOMIC DEVELOPMENT

Jinan DAZHONG RIBAO in Chinese 10 Nov 85 p 2

[Article by Zang Kun [5258 0981]: "Qingdao Must Step Up Foreign Import and Internal Cooperation"]

[Text] Proposals for the Seventh 5-Year Plan, approved by the [12th] CPC Congress, point out, "We must make full use of the advantages of the coastal region and other well-endowed areas by setting up different kinds of export production bases to perfect gradually an export production system. Moreover, we must step up technical cooperation, joint ventures, and cooperative enterprises between the coastal areas and the hinterland so that the interior's abundant natural resources are utilized." This provides a clear guiding principle for our drive to make better use of coastal open cities as hubs, further attract foreign capital, and establish economic links with the interior. It has profound strategic significance.

That coastal cities should seek to attract foreign capital and cooperate with the interior economically is determined by their very characteristics. It is also what their role in the nation's economic construction and technical progress demands of them. Take Qingdao, for instance. With the fourth largest handling capacity among the nation's ports, it is one of China's five major trade ports and maintains economic, technical, and trade relations with over 120 nations and regions in the world. Moreover it is a well-established industrial city, with solid economic and technical credentials and enterprises of a fairly high standard, particularly in the light, textile, rubber, chemical, electronic, machinery, metallurgical, and building materials industries. For these reasons, not only should Qingdao use its superior geographical position and miscellaneous favorable conditions to absorb and assimilate advanced foreign technology and improve its production technology and managerial standards, but it should also disseminate advanced technology and managerial experience into the interior to promote economic growth and technical progress there. Let's further look at Qingdao's objective needs if it is to develop a commodity economy. Qingdao is an industrial city in the processing mode. Its earnings from the sale of industrial products amounted to 7.82 billion yuan last year, of which local sales accounted for only 47 percent, while domestic sales made up 28 percent and foreign sales, 25 percent. Qingdao basically relies on the rest of the nation and even foreign countries for energy and raw materials. That, too, makes it imperative for it

to import technology from overseas and cooperate with the interior if it is to develop economically.

Importing foreign technology and capital, on the one hand, and cooperating with the interior, on the other, constitute the two wings which enable coastal open cities to take off economically. Both are indispensable. As far as import is concerned, Qingdao has worked out 302 economic and technical cooperation projects worth a total \$290 million with foreign nations since it further opened itself up last year. Most of these projects have to do with the technical modernization of the light, textile, rubber, and electronic industries, where potential is greater. A majority of the equipment and technology imported are of the general standards in advanced nations in the late 1970's and early 80's. They are distributed among the city's 178 key enterprises and will make up 75 production lines when operational. With an expected annual output value of 2.6 billion yuan, they will generate \$700 million in profits and taxes. The exports they produce will rake in \$50 million in foreign exchange each year, apart from saving the state \$78.35 million in foreign exchange. Add the two figures and you have enough to pay off 82 percent of the import cost of the equipment. The imports, furthermore, ensure definite staying power for the future economic growth of the municipality. Now let's look at the other wing. Qingdao has formulated concrete policies and preferential measures and organized in succession the city's first national economic and technical conference and urban-rural economic and technical conference. So far it has signed agreements for 1,174 projects and attracted 310 million yuan in internal capital. It has also taken pains to attract capital from the interior to develop the tertiary sector, particularly tourism, to enhance the municipality's capacity to provide multiple services. Today over 100 interior concerns are active in Qingdao's tertiary industries and the city has attracted 280 million yuan in foreign capital.

The attraction of foreign capital and technology and cooperation with the interior also constitute a major avenue to promoting economic growth and technical advance in the hinterland. At present Qingdao has established cooperative relations with 26 provinces, municipalities, and autonomous regions and "exported" over 660 pieces of technology to cities inside and outside the province. It has launched a program of aid and cooperation with the two counties of Yishui and Yinan in the Yimeng mountain area. Since the beginning of this year, we have despatched 24 study missions to the 2 counties and have so far decided on 65 key support and cooperation projects, of which 44 are already under way. They are expected to increase output value by 17.43 million yuan this very year and generate additional profits and taxes totaling 4.317 million yuan.

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ECONOMIC PLANNING

ROUNDUP ON PROSPECTS FOR GUANGDONG IN 1986

HK020706 Beijing ZHONGGUO XINWEN SHE in Chinese 0158 GMT 30 Jan 86

[Roundup by Fang Yuansheng [2455 6678 3932]: "Prospects for Guangdong in the Year of the Tiger"--ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 30 Jan (ZHONGGUO XINWEN SHE)--The year of the tiger is approaching. Guangdong's policymaking departments have drawn up a series of plans for work in various fields. These plans have made the following impression on people: Guangdong will be active and steady in its work this year.

Industrial and Agricultural Growth Rates Will Be Lower Than Those Over the Past 5 Years

Since 1980, Guangdong's industrial and agricultural production has developed at an average rate of over 10 percent for 5 consecutive years. In the year of the tiger, its industrial and agricultural growth rates will be reduced a little. It has been initially decided that its industrial and agricultural production will increase by 9 percent over last year.

This year the state will continue to tighten up the money market, control foreign exchange, and greatly reduce the scale of capital construction. Guangdong will do the same. Last year, Guangdong had an investment of 2.6 billion yuan in capital construction. Various localities in the province are now short of funds, energy, and communications facilities, and the supply of important materials is running low. Some capital construction projects which are underway cannot be completed on schedule, and those which have been put into operation cannot produce economic results. All this explicitly indicates that if the scale of capital construction is not resolutely reduced, credit balance will be undermined and prices will rise.

However, it will not do to not carry out capital construction at all. So the effective method is to concentrate our limited funds and materials on the construction of key projects such as energy, communications, and telecommunications, which have important bearings on the province's economic development. It was reported that guarantees had been provided for the construction and expansion of power plants in Shajiao, Shantou, Haikou, Guangzhou, and Huangpu, for the preparations for using Nanhai natural gas, for the construction of the

multiple track railway between Hengyang and Guangzhou, for the construction of the Yaogu-Maoming section on the Shantou-Maoning railway, for the reconstruction of Guangzhou's export highway and the province's main highways, for the development of telecommunications between Guangzhou and medium-sized cities, for technological transformation in old enterprises, and for the introduction of new technology to key enterprises. However, it is estimated that the total investment in these projects will be reduced by 400 to 500 million yuan based on the total investment of last year.

The growth rate of Guangdong's agricultural output value for this year has been initially fixed at 7 percent. Through 6 years of agricultural readjustment, the ratio between grain crops and industrial crops in Guangdong has been fixed at 7:3. This is basically rational. Guangdong will not continue to reduce the acreage under grain but will exploit its 60 million mu of uncultivated mountain slopes, 1.5 million mu of shoals along the coastline, a 2 million mu of mountain ponds and reservoirs for planting trees and fruit, mining, building power plants, and developing industrial crops, animal husbandry, and marine production. It will also develop township enterprises and run the secondary and tertiary industries.

Can Guangdong Do More Business?

Although Guangdong has decided to reduce the scale of capital construction this year, it will energetically carry out technological transformation in old enterprises. In recent years, Guangdong has gained successful experience in carrying out technological transformation in old enterprises; that is, it has combined the transformation of old enterprises with the introduction of advanced foreign technology, the carrying out of economic cooperation with foreign countries, and the business forms of "processing provided raw materials, processing according to provided samples, assembling with provided component parts, and compensatory trade." To speed up technological transformation in old enterprises, it is necessary to accumulate funds through various channels. Apart from state allocated funds, bank loans, and self-accumulated capital, using foreign capital is an important method. It seems that more emphasis will be laid on this point this year.

Guangdong has decided that this year it will introduce advanced foreign technology, foreign capital, and foreign knowledge, expand its economic and technological cooperation and scientific exchanges with foreign countries, do a good job in the construction of its special economic zones, develop an export-oriented economy, and expand commodity exports.

It has been reported that the expansion of exports would mainly cover live products, food, light industrial products, machinery, and electrical products.

In terms of policy, the province will support the work concerning "processing provided raw materials, processing according to provided samples, assembling with provided component parts, and compensatory trade." In addition, under the principle of mutual benefit, it will encourage the setting up of joint

ventures, cooperative enterprises, and enterprises run with foreign capital, and will actively provide labor service for foreign countries.

It seems that a lot of business can be done in Guangdong in the new year.

Emphasis Will Be Laid on Spiritual Civilization

In the new year, Guangdong will give prominence to spiritual civilization. This is because last year some vicious practices were noticed which included reselling automobiles at a profit in Hainan, selling counterfeit medicine, manufacturing fake trade marks, showing obscene videotapes, and carrying out economic criminal activities.

This year, leading groups in charge of spiritual civilization will be formed in various cities, prefectures, and counties throughout the province. In the past, some units abolished the post of cadres in charge of political and ideological work. Now they are required to reorganize the post.

Management of social and cultural activities, literature and art works, and literature and art programs will be strengthened. The general principle is "supporting what is beneficial, allowing what is not harmful, resisting what is detrimental, and cracking down on what is criminal." Guangdong Province will require science, education, culture, health, and physical culture departments to attach primary importance to social benefits rather than to making profits. The state will allocate funds for these departments so that they can maintain and develop their operations; they do not have to rely on making profits for their existence.

It seems that Guangdong is taking a steady step in the ideological field.

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CSO: 4006/693

AGGREGATE ECONOMIC DATA

BEIJING REPORT ON 1985 SUBURBAN ECONOMIC SITUATION

SK050507 Beijing City Service in Mandarin 1000 GMT 24 Jan 86

[Text] On 24 January, at the ongoing municipal rural work conference, station reporter (Li Ruixiang) learned that the total industrial and agricultural output value realized by the suburban areas of the municipality last year reached 7.73 billion yuan, a 1.3-fold increase over the 3.33 billion yuan of 1980 and doubling the target in 5 years.

Through the conscientious implementation of the principle of serving the capital and making the peasants rich, and focusing on readjusting the rural production structure, over the past few years the suburban areas of the municipality have brought into line the development of agriculture, forestry, animal husbandry, fishery, industry, commerce, and transportation, construction, and service trades, and have made a breakthrough in the development of the rural and township enterprises, coordinating their production with urban industry and operating in service of the urban and rural people's livelihood. In 1985, the output value realized by the rural and township enterprises throughout the municipality reached 3.97 billion yuan, about a 3-fold increase over 1980. The rural economic development of the suburban areas was fairly even. According to statistics compiled by the municipal Statistics Bureau, 14 counties and districts at the suburban areas of the municipality had doubled their targets in 1985. Along with the economic development and on the basis of the contributions made by the suburban areas to the state, the income of the peasants in those areas notably increased. Last year, the suburban areas of the municipality had paid 430 million yuan of taxes to the state, a 3.44-fold increase over 1980; and the per capita income of the peasants was 770 yuan, a 1.5-fold increase over 1980.

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CSO: 4006/693

ECONOMIC MANAGEMENT

GUANGDONG URGES COMPANIES TO IMPROVE ECONOMIC SUPERVISION

HK010158 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 28 Jan 86

[Text] The provincial forum of prefectural and city industrial and commercial administrative bureau directors, which concluded today, urged all industrial and commercial administrative departments to really strengthen their administration and supervision over the economic activities in society, to maintain the socialist economic order, and to ensure smooth progress in the economic reform.

The forum pointed out that the province will sort out and consolidate the commercial companies run by party and government departments at prefectural and city levels. Those that fail to meet the requirements will be closed, have their status lowered, or have their license revoked. All briefcase companies are to be banned. Those that violate laws in their operation will be investigated and be seriously dealt with. In addition, we must resolutely ban the activities of producing and selling counterfeit and illegal products.

The forum urged all industrial and commercial administrative departments, when administering the economic activities, to strictly follow relevant policies and regulations of the state. The business of purchasing and selling important means of production, as well as the wholesale of durable consumer goods that are in short supply, can only be handled by the state-run commercial department, material supply department, and units that produce these products. No collective or individual commercial unit is allowed to run the business.

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CSO: 4006/692

ECONOMIC MANAGEMENT

INDUSTRY, AGRICULTURE BOOM ON HAINAN ISLAND

OW311216 Beijing XINHUA in English 1151 GMT 31 Jan 86

[Text] Haikou, January 31 (XINHUA)--The output value of industrial and agricultural production in South China's Hainan reached more than 3.51 billion yuan (RMB) in 1985, an increase of 82.63 percent over 1980.

Meng Qingping, a senior official from the people's government of the Hainan administrative region in Guangdong Province, attributed this success to the policy of opening to the outside world and enlivening the domestic economy China has pursued in the past few years.

He said in a recent interview with XINHUA the central government has given Hainan more decisionmaking power to exercise special policies, and helped it in manpower, finance, and materials in the past few years, thus giving an impetus to the industrial and agricultural development of the island.

Hainan is China's second largest island, next only to Taiwan. It is a treasured tropical and sub-tropical land with vast sea and land resources, and abundant rainfall.

Meng Qingping said, in order to bring its natural and geographical advantages into full play, the local government has encouraged the state-owned farms, collectives and individuals to develop rubber and other tropical crops, fish farming, marine fishing, and animal husbandry, while ensuring a steady increase of grain output.

According to the statistics, the proportion of forestry, animal husbandry, fisheries, and sideline products in the total output value of agriculture increased from 62 percent in 1980 to 70 percent in 1985.

Hainan has expanded its rubber plantations by 73,600 hectares in the past 5 years, equivalent to one-third of the total area planted in the preceding 30 years. It has also planted 16,700 hectares more of other tropical crops in the same period, equivalent to 40 percent of the area used for that purpose in the 30 years from 1951 to 1980, and expanded the area of medicinal herb crops by more than 15,300 hectares--12 times over the 1980 figure.

The output of dry rubber reached 118,900 tons in 1985, an increase of more than 69 percent over 1980, in spite of severe drought, violent typhoons, and other calamities; that of meat came to about 8,550 tons, up by 90 percent; aquatic products, 85,000 tons, double; sugarcane, more than 3,843,000 tons, 5.9 times the 1980 figure.

Meanwhile, the island has vigorously taken measures to reform its industrial structure and upgrade its existing enterprises by using foreign capital.

It has signed more than 230 contracts on joint ventures in cooperation with foreign investors in the past 5 years, involving 294 million U.S. dollars, of which 215 million came from foreign partners.

In addition, the island has carried out economic cooperation with 24 provinces, municipalities, and autonomous regions on the mainland. They have signed contracts for more than 250 projects, involving more than 232 million yuan.

As a result, Hainan has intensified the development of its textile, electronics, and processing industries and helped some enterprises which had suffered losses for years, make profits. Its industrial enterprises made profits of 25 million yuan in 1985, up by 13 percent against 1984, and its revenue increased 2.7 times in the past 5 years.

The growth of industrial and agricultural production has helped the local people live better. The net income of the peasants reached 380 yuan per year on average in 1985, 2.7 times the 1980 figure, and the average income of industrial workers came to 1,080 yuan, up by 27.8 percent.

The past 5 years have seen a great improvement in the climate for foreign investment. Haikou and Sanya air and sea ports now have direct links to Hong Kong.

The Haikou, Sanya, Bashuo, and other harbors handled more than 7 million tons of freight in 1985, up by 46 percent over 1980, as a result of extension work.

In addition, the Haikou thermal power station is under construction, and microwave communication and television facilities from Guangzhou, capital of Guangdong Province, to Sanya via Haikou will be put into service within this year.

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CSO: 4020/215

ECONOMIC MANAGEMENT

LIAONING PLANS INCREASE IN TECHNOLOGY IMPORTS

OW310812 Beijing XINHUA in English 0727 GMT 31 Jan 86

[Text] Shenyang, January 31 (XINHUA)--Northeast China's Liaoning Province plans to spend twice as much hard currency importing technology between 1986 and 1990 than during the previous 5 years.

Liaoning, a major heavy industrial center in China, will spend three billion U.S. dollars introducing 3,000 items of technology over the next 5 years, said an official of the provincial Planning Commission here today.

Foreign funds will comprise a third of this amount and will be introduced in such forms as loans, Sino-foreign joint ventures, cooperative businesses, compensation trade, and leasing.

Foreign technology and equipment will be used to upgrade 275 major enterprises and develop 450 new products in such areas as metallurgy, electronics, machine-building, chemicals, energy, building materials, textiles, and light industry.

Moreover, foreign funds will be used to speed up construction of harbors at Dalian, one of the 14 coastal open cities, and other ports. Three new airports will be built in the provincial capital of Shenyang, Dalian, and Chaoyang, respectively.

Technology imports are expected to enable 70 percent of the province's machinery to meet the advanced international standards of the late 1970's and early 1980's by 1990, compared with the present 32 percent.

The electronics industry will concentrate on developing microcomputers and microprocessors, while the Anshan Iron and Steel Company, one of China's largest, and other steel makers will import new rolling mills to boost output.

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CSO: 4020/214

ECONOMIC MANAGEMENT

LIAONING ECONOMIC CONFERENCE STRESSES REFORM, REVITALIZATION

SK032234 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 2 Feb 86

[Text] With regard to the tasks for provincial economic work in 1986, the on-going provincial economic work conference stressed the necessity of continually giving top priority to reform, further revitalizing enterprises, and preparing for making an important step in reform in 1987 and 1988.

The conference pointed out: The year 1986 is the first year covered by the 7th 5-Year Plan as well as a year for penetratingly carrying out reform. Based on the reform carried out in 1985, in line with the CPC Central Committee's demand for consolidation, mastery, replenishment, and improvement, provincial economic work should be aimed at maintaining advantages, eliminating disadvantages, solving conspicuous problems that have emerged in the course of reform. In carrying out reform, we should concentrate on revitalizing large- and medium-sized enterprises, should attend to the whole range of reforms, and should create a new situation of exercising control over enterprises but not controlling them too rigidly and making them dynamic but not chaotic.

The conference demanded: In adhering to reform, we should implement and improve the policies and measures concerning reform and continue to create external conditions for revitalizing enterprises. At present a key task is to unflinchingly grasp the implementation of existing policies. All localities and departments should pay great attention to continually implementing the relevant policies formulated by the State Council and the provincial People's Government, should comprehensively inspect the implementation of policies at the previous stage, and should remove obstacles and improve specific methods in line with respective conditions. We should stress the authoritativeness of policies and solemnity in implementing policies. We should resolutely correct the illegal retention of decisionmaking powers which should be delegated to enterprises. Leading organizations and economic departments at all levels should improve their work style, give services to enterprises, and create even better conditions for the development of enterprises.

To this end, we must continue to reform the leading structure of enterprises and further implement and improve the system of plant directors assuming responsibility. Large- and medium-sized enterprises should each establish a plant management committee composed of the secretary of the plant CPC

committee, deputy directors of the plant, [words indistinct], director of its trade union, and workers' representatives, with the plant director as the chairman. Such plant management committees should be regarded as organs to help plant directors adopt policy decisions for major issues. Enterprises which implement the system of plant directors assuming responsibility should also institute the system that plant directors assume responsibility for the fulfillment of tasks within their term of office. This is an important measure for correctly handling the relationship of interests among the state, enterprises, and workers and staff members, as well as a new form of the economic responsibility system.

The conference called on enterprises to continually reform the management system and make smaller units on the basis of cost accounting. Where possible, all large- and medium-sized enterprises should make smaller units on the basis of cost accounting in line with their specific situations, and stress practical results rather than formality. Continued efforts should be made to reform the personnel and labor systems of enterprises, break with life tenure for cadres, and gradually attain the goal that cadres can work at the higher or lower levels as required.

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CSO: 4006/693

ECONOMIC MANAGEMENT

NINGXIA SEEKS COOPERATION TO BOOST ECONOMY

OW310816 Beijing XINHUA in English 0751 GMT 31 Jan 86

[Text] Yinchuan, January 31 (XINHUA)--Northwest China's Ningxia Hui Autonomous Region is cooperating with other parts of China in developing its economy, according to a report in the "NINGXIA DAILY."

Last year, it signed 703 economic and technical agreements with 21 provinces, autonomous regions and municipalities, twice as many as in 1984.

A total of 616 million yuan in investment are involved in 107 economic cooperation agreements Ningxia signed in the last 2 years.

By the time the new factories and other projects contracted for are completed at the end of next year, more than 170 million yuan is expected to have been added to the region's industrial output value.

Ningxia's 900 technical cooperation agreements over the past 2 years have brought technical personnel and skilled workers into the region and have allowed local people to study elsewhere.

The agreements have led to substantial benefits for the area, the newspaper report said.

For example, the introduction in 1984 of advanced manufacturing techniques from Zhejiang Province in eastern China enabled three of Ningxia's fertilizer factories to boost production capacity by 50 percent.

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CSO: 4020/214

ECONOMIC MANAGEMENT

QINGHAI HOLDS REPORT MEETING ON CURRENT SITUATION

HK050215 Xining Qinghai Provincial Service in Mandarin 2330 GMT 4 Feb 86

[Excerpts] The provincial CPC committee and government held a report meeting on the current situation and policies in the Provincial People's Hall on 4 February. Provincial CPC committee Deputy Secretary Liu Feng made a report on the current situation abroad, in the country, and in the province. Provincial and Xining City leaders Yin Kesheng, Song Lin Shen Ling, (Hu Jijun), and others attended the gathering, together with cadres at and above office [chu] level in the Xining area.

After analyzing the current international and domestic situation, Comrade Liu Feng spoke on the current economic and political situation in Qinghai. He said: Viewing national economic development in its entirety, the province's economic development during the 6th 5-year plan could be summarized into the following characteristics:

1. A certain growth speed was maintained amid readjustment. During the 5 years, total social output value rose by an annual average of 7.2 percent, while total industrial and agricultural output value rose by an annual average of 5.6 percent. Total agricultural output for 1985 is estimated at 1.07 billion yuan, while industrial output value was 1,907,360,000 yuan.
2. There was some improvement in the proportional relations of agriculture, light industry, and heavy industry, which became more coordinated. As a result of readjustment, agriculture accounted for 38 percent of total industrial and agricultural output value, light industry for 25 percent, and heavy industry for 37 percent.
3. Economic results improved year by year. Last year local financial revenue was 233 million yuan, the highest figure recorded during the 6th 5-year plan.
4. Under the premise of upholding the position of economy owned by the whole people as the dominant factor, there was further development of a variety of economic forms.
5. The province initially opened up to the world.

6. A number of key construction projects were completed and went into production.

7. The income of urban and rural people increased and living standards improved everywhere. Average worker wage in 1985 exceeded 1,600 yuan, showing an increase of 46.2 percent over 1980. Average net income of the peasants and herdsmen exceeded 330 yuan, more than 200 percent up on the 1980 figure.

Liu Feng said: There are still many problems in party style in our province. The most prominent ones are: abuse of power; bureaucratism; political liberalism; organizational looseness; slack discipline; and lack of drive. The Central Secretariat has recently grasped party style directly. The situation in straightening out party style is very good. We must fully recognize this excellent situation and be resolved to start with the provincial CPC committee and the party committees at all levels.

Comrade Liu Feng said in conclusion: The provincial CPC committee is currently concentrating on six matters: 1) Preparing to convene its fifth enlarged plenary session in late February; 2) preparing to convene a provincial economic work conference in late March; 3) grasping the work of extricating poor areas of the province from poverty; 4) stepping up grassroots work; 5) assigning a prominent position to straightening out party style and bringing about a marked turn for the better in party style; 6) continuing to get a good grasp of disaster relief work.

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CSO: 4006/692

MINERAL RESOURCES

BRIEFS

ANHUI COPPER REFINERY--Hefei, 18 Jan (XINHUA) -- China's largest new oxygen copper refining equipment was recently put into formal operation at the No 2 Refinery of the Tongling Nonferrous Company. The annual output of crude copper at the refinery will thus increase from 30,000 to 45,000 metric tons. [Summary] [Beijing XINHUA Domestic Service in Chinese 0008 GMT 18 Jan 86 OW] /12640

JIANGXI COPPER PRODUCTION--Nanchang, 14 Jan (XINHUA) -- The annual output of copper from Jiangxi's copper-producing base reached 70,000 metric tons. Jiangxi's copper mining areas are located in the province's northeast region. They include Wushan, Chengmenshan, Dexing, Yinshan, Yongping, and Dongfang copper mines, all scattering around Poyang Hu. The total copper deposit for industrial use there accounts for one-third of the national deposit. [Summary] [Beijing XINHUA Domestic Service in Chinese 0012 GMT 14 Jan 86 OW] /12640

CSO: 4006/691

INDUSTRY

YU ZHEN ON LIGHT MACHINERY INDUSTRY'S GOALS

OW301438 Beijing XINHUA in English 1201 GMT 30 Jan 86

[Text] Beijing, January 30 (XINHUA)--China's light machinery industry has set an ambitious target for development in the next five years in a bid to keep pace with the rapid growth of light industry.

The industry will develop around 2,000 new varieties while eliminating 1,000 old products during the Seventh Five-Year Plan period (1986-1990), according to a preliminary plan released here today by Yu Zhen, vice-minister of light industry.

According to him, the total kinds of products are planned to rise from 3,000 last year to 4,000 by 1990, of which 50 percent will reach the international advanced level of the late 1970s or early 1980s.

During the Sixth Five-Year Plan (1981-1985), China's light industry witnessed rapid development thanks to the state's emphasis on consumer production.

Machines and complete plant for production of beer, tin, tobacco, garments, hides, glass for daily use, plastic, lamps and lanterns, porcelain and pottery are top priorities, he said.

To reach the set target, the vice-minister said, technological transfer from outside China should be carried out at faster pace. But he pointed out that such transfer must be beneficial to the development of China's own light machinery industry. "The aim is to improve our own level," he added.

He also asked the light machinery enterprises to cooperate to make better use of their material and other resources, [words indistinct] down regional and departmental barriers.

Statistics show that the light machinery industry has enjoyed a rapid development in the past few years. Comparing 1985 with 1980, brewing machinery increased by 89.2 percent and glass-making machinery by 496 percent; garment machinery registered a growth of 29 times over what it was five years ago.

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CSO: 4020/213

INDUSTRY

LIGHT INDUSTRY MINISTER ON QUALITY, VARIETY

OW011156 Beijing XINHUA in English 1137 GMT 1 Feb 86

[Text] Beijing, February 1 (XINHUA)--High quality is the top priority in light industrial production, and must be strictly observed even at the cost of reducing quantity.

This was stated by Yang Bo, minister of light industry, today in an executive interview with XINHUA.

He said that the industry has set itself a target for the Seventh Five-Year Plan which began this year to increase the variety, specifications and quality of the goods.

To reach this goal, the industry is to turn out more products of famous brands, he continued, citing that bicycles of famous brands will rise from 60 percent of the total to 80 percent.

Bicycles are the main means of transportation for most Chinese; around 5.4 million of Beijing's nine million people are cyclists. Their favorites are the "Phoenix" and "Forever" brands from Shanghai, and "Flying Pigeon" from Tianjin.

Electrical appliances for family use, high-grade furniture and fashionable clothes will also be developed, the minister said. And concrete measures are to be taken to lengthen the service life of washing machines.

He noted that great efforts will be made to develop more varieties like wall paper, color film, modern kitchen utensils and office equipment.

The 65-year-old minister asked all the light industry enterprises to complete quality-control systems at all levels, adding that responsibility for product quality must be made clear.

He said all the departments under his ministry "will try every way possible to keep consumers satisfied."

In the past few years, the state has adopted a series of policies to promote light industrial production and the industry has enjoyed a rapid development.

According to the statistics, the enterprises under Yang's ministry fulfilled the target set for the Sixth Five-Year Plan (1981-1985) one year ahead, with a total output value of 156 billion yuan.

During this period, the industry developed about 5,000 new varieties annually.

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CSO: 4020/213

INDUSTRY

AERONAUTICS MINISTER ON MEETING CIVILIAN NEEDS

OW280551 Beijing XINHUA Domestic Service in Chinese 0829 GMT 25 Jan 86

[By RENMIN RIBAO reporter Chen Haijiang and XINHUA reporter Li Anding]

[Text] Beijing, 25 Jan (XINHUA) — The Ministry of Aeronautics Industry has decided to achieve a breakthrough in the research and production of civilian airplanes as quickly as possible during the Seventh 5-Year Plan period in order to turn aeronautics into an industry with balanced development in both military and civilian products and better economic efficiency.

Minister of Aeronautics Industry Mo Wenxiang said at a meeting attended by leading cadres of the ministry today: In order to provide the best-quality planes to the PLA and gradually reduce our gap with the world's advanced level, it is necessary to shift the production of military planes to meeting peacetime defense construction and use new technologies to improve the foundation and product quality of the industry.

Mo Wenxiang emphatically pointed out: The concern shown and great importance attached by the party Central Committee and the State Council for domestically manufactured airplanes have brought about a turning point in the development of the aeronautics industry. Acting on the requirement to "achieve a breakthrough, ensure quality, and carry out research and production," we must strive to achieve a breakthrough in the production of civilian planes beginning from this year. During the Seventh 5-Year Plan period, we will carry out research and production of new type passenger planes for feeder airlines and special planes for agricultural and forestry production by importing technology and cooperating with foreign countries. In striving to produce and utilize 200 civilian planes of various types and sell Chinese-made civilian planes on the international market within 5 years, we will do a good job in the domestic production of Yun-7, Yun-8, Yun-12, and revised Zhi-9 airplanes by continuously improving their safety, comfortableness, economic efficiency, and performance, as well as providing after-sale service.

Mo Wenxiang said: During the Seventh 5-Year Plan period, aeronautics industrial departments will also carry out development, readjustment, reform, and technological transformation in order to set up a production line of civilian goods, including industrial gas turbines, automobiles, motorbikes, and refrigeration equipment; at the same time, they will do a good job in transferring military technology for civilian use. By 1990, we will strive to make the output value of civilian goods 80 percent of the industry's total annual output value.

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CSO: 4006/690

INDUSTRY

GUANGDONG TRANSFORMS MACHINE-BUILDING INDUSTRY

HK031337 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT
30 Jan 86

[Text] According to the provincial meeting of heads and managers of city and prefectural machine-building industry bureaus, the province's machine-building industry has paid close attention to the work of technological transformation. It made remarkable successes in developing fine, special, and new products.

In 1985, the industry developed over 400 items of new products and 85 kinds of products with outstanding performance. Its export output value totaled more than 170 million yuan, and the industry earned over \$65 million of foreign exchange.

In the past, the province's machine-building industry had a poor foundation, there was a shortage of both raw materials and energy resources. But the leading departments of the industry gave full play to the advantage that the province can easily import technology because it is located next to Hong Kong and Macao. Thus, the departments paid close attention to the work of technological transformation.

Through the import of key equipment and technology, they have developed products that conserve energy and raw materials. Therefore they have changed the situation where enterprises were installed with outdated equipment, the production process was backward, and the products had become outdated and the economic results were poor.

For example, before the technological transformation, the quality of enamel-insulated wire made by Guangdong Electrical Appliances Factory could only reach the standards stipulated by the Ministry. Now, its quality has reached international standard. Under circumstances in which the cost of copper has increased and the price of products has decreased, it has increased rather than decreased the output value, and its profits have been increased. Staff labor productivity has also been increased from 23,000 to 53,000 yuan.

In the course of technological transformation, various machine-building departments pay attention to developing fine, special, and new products,

while focusing on small tractors, diesel engines, electrical appliances and some major export machinery and electrical products which support agricultural production and save energy.

In Zhonghsan City, bumper cars produced by the recreational machinery factory are sold to over 40 amusement parks throughout China, thereby saving the state's foreign exchange by over \$10 million. The yeast separator, lard separator and emulsion waste water processing device made by Guangzhou Heavy Machinery Plant have reached international advanced standard.

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CSO: 4006/690

INDUSTRY

BRIEFS

SHORTAGES OF CHEMICALS TO CONTINUE--Shortages of certain chemicals, especially soda ash, will not ease until the end of the Seventh Five-Year Plan (1986-1990), the newspaper ECONOMIC INFORMATION reported. The current shortage has been created mainly by increasing demand, even though supplies of its raw materials are greater than last year. By the end of the five-year plan, three soda ash plants are expected to be completed in Jiangsu, Shandong and Hebei Provinces, with a combined annual production capacity of 1.8 million tons. By then, supply and demand should balance better, the newspaper said. The report noted that the shortage of chemicals was particularly acute in Tianjin. Of 114 products available on the market, about 42 percent are in short supply, about 30 percent are in adequate supply and about 28 percent are in surplus. Organic chemicals tend to be readily available, but inorganic ones are not. Of 81 products surveyed by the Ministry of Chemical Industry, 46 will see an increase in production this year, 26 will remain the same as last year and nine will drop. [Text] [Beijing CHINA DAILY in English 31 Jan 86 p 2 HK] /12712

CHAIRMAN SPEAKS ON EXPANDING TOURISM--Lhasa, February 4 (XINHUA)--Tibet will speed up tourism this year to spur other sectors of its economy in a move to open wider to the rest of the world, a top official of the autonomous region said here today. "We will also try to boost exports," said Doje Cering, acting chairman of the regional government. He returned to Lhasa today after attending an economic and trade exhibition Tibet put on in Hong Kong. The areas open to foreign investors include tourism, energy, textiles, foodstuff processing, services, agriculture, forestry, animal husbandry and mining. A Tibetan trade delegation struck 17 deals for export of Tibetan products worth 1.73 million U.S. dollars during the exhibition held from January 14 to 25. Moreover, 22 letters of intent on economic cooperation were also signed with firms from overseas, Hong Kong and Macao. The 2,000 exhibits included native products, Chinese medicines and Tibetan-style handicrafts. [Text] [Beijing XINHUA in English 1833 GMT 4 Feb 86 OW] /12712

TEXTILE OFFICIAL ON MODERNIZATION--Beijing, January 29 (XINHUA)--China has developed 672 new kinds of textile machines over the past five years, a Textile Industry Ministry official here said. More than a fifth of them have been judged by the ministry to meet international standards for the late 1970s and early 1980s. The ministry placed top priority during the Sixth Five-Year Plan (1981-1985) on developing more modern machinery and manufacturing facilities

to help the industry's growth. Eight main schemes were undertaken, including the development of a polyester staple fiber production plant and new spinning lines. So far, 14 polyester staple fiber production lines have been made, each with a capacity of 15,000 tons a year. In addition, several machines needed for the development of new textiles were also developed. The ministry official said this new machinery would help the industry meet current market demand for more varieties and better quality. [Text] [Beijing XINHUA in English 0701 GMT 29 Jan 86 OW] /12712

FURTHER ON MACHINERY INDUSTRY'S GOALS--Beijing, January 30 (XINHUA)--China's weighing-machine industry will aim for a hefty tenfold increase in output value over the next five years, it was announced here today. To boost last year's 250 million yuan total to the 1990 target of 2.66 billion yuan, the industry will switch to making sophisticated electronic scales, said Light Industry Vice-Minister Yu Zhen. These are of superior quality to the mechanical devices produced at present. Yu told a press conference that the output of large weighing machines for industrial use would be stepped up from 230,000 last year to 350,000 in 1990. Production of smaller scales would increase from 1.1 million to 1.4 million. The industry would concentrate on producing automatic and electronic devices, and strive to reach world advanced standards of the late 1970s and early '80s. During the past few years, the industry had enjoyed steady growth, good economic results and an improving quality of products. Annual output of large machines hit the 150,000 target set for the Sixth Five-Year Plan (1981-1985) three years ahead of time, and the one-million quota for smaller scales was reached one year ahead of schedule. [Text] [Beijing XINHUA in English 1213 GMT 30 Jan 86 OW] /12712

ZHEJIANG INDUSTRIAL PRODUCTION--According to an estimate of the provincial statistical bureau, Zhejiang's gross industrial output value in 1985 is expected to reach 45 billion yuan, up more than 30 percent over that of 1984. Output value of the industrial enterprises in the province during the first 11 months of 1985 increased by 14 percent as compared with the corresponding period of 1984. The province has signed joint venture agreements covering 56 projects with a total investment of \$108.6 million since 1984, a total of 890 advanced foreign technology and equipment were imported. [Summary] [Hangzhou ZHEJIANG RIBAO in Chinese 1 Jan 86 OW] /12640

SHANGHAI INDUSTRIAL PRODUCTION--Shanghai overfulfilled all 1985 industrial targets set forth in the Sixth 5-Year Plan, yielding total industrial output value of 82.66 billion yuan, an increase of 11.1 percent over that of 1984. The monthly growth rate was basically maintained at 11-13 percent. [Summary] [Shanghai City Service in Mandarin 0100 GMT 9 Jan 86 OW] /12640

JIANGSU INDUSTRIAL PRODUCTION--According to data released by the Jiangsu Provincial Statistical Bureau, the total output value of industrial production in the province reached 86.35 billion yuan in 1985, an increase of 21 percent compared with the previous year. Of this, total output value of heavy industry was 36.75 billion yuan, and of light industry 49.6 billion yuan. In addition, the total provincial revenue also rose by 17.8 percent compared with 1984. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 16 Jan 86 OW] /12640

FUJIAN INDUSTRIAL PRODUCTION--Fujian's total industrial output value in 1985 was 19.6 percent over that of 1984. Profits and taxes turned in by state-run industrial enterprises increased by 31.4 percent. Foreign exchange earned through export of industrial goods was 9.9 percent higher than the previous year. State revenues were 20 percent higher than 1984. [Summary] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 11 Jan 86 OW] /12640

JIANGSU'S FODDER INDUSTRY--Jiangsu has been making good progress in developing its fodder industry in past years, and has won new success in promoting production in 1985. The total output of mixed fodder reached 1.1 million metric tons, overfulfilling the state quota set for 1985 by 50 percent. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 17 Jan 86 OW] /12640

GUANGXI METALLURGICAL INDUSTRY OUTPUT--The region's metallurgical industry's gross industrial output value in 1985 reached above the 300 million yuan mark for the first time, totalling more than 346 million yuan, an increase of 19.5 percent compared to 1984. In terms of gross output value of enterprises directly under the regional authorities, the increase was 22 percent over 1984. The output volume of steel was over 382,000 tons or an increase of 31 percent; that of pig iron was over 419,000 tons, an increase of 61 percent; that of building materials was over 300,000 tons, an increase of 26 percent; and that of iron alloy was over 57,000 tons, an increase of 41 percent. The profits and tax delivery realized by the industry also reached over the 100 million yuan mark for the first time, totalling more than 127.03 million yuan, an increase of 72 percent over 1984. Of this amount 103.83 million yuan came from enterprises directly under the regional authorities. [Summary] [Nanning Guangxi Regional Service in Mandarin 1100 GMT 30 Jan 86 HK] /12640

CSO: 4006/690

CONSTRUCTION

PRC OFFICIALS ON RURAL HOUSE-BUILDING BOOM

HK310511 Beijing CHINA DAILY in English 31 Jan 86 p 1

[Article by staff reporter Zhu Ling]

[Text] China's fast-developing rural economy has generated an unprecedented house-building fever in the country's villages and townships.

Last year, an estimated 9.6 million rural households build new homes, compared with 9 million in 1984, according to Xu Zongwei, an official of the Ministry of Urban and Rural Construction and Environmental Protection.

New construction covered some 770 million square meters, and 15 percent of the newly-built houses were two or three-storeyed, Xu told CHINA DAILY yesterday.

Sixty percent of the new housing is of brick and tile, he said. When construction started again in 1978, after the hiatus of the "cultural revolution," 57 percent of the new housing was of sun-dried brick and thatch.

Farmers' investment in new housing last year is expected to have greatly exceeded the 1984 total of 30 billion yuan, Xu said.

Xu said rural people now spent an average of 16 percent of their annual income on housing improvements, compared with 5 percent in 1980.

From 1949 to 1978, Chinese farmers built an average of 100 million square meters of new homes a year. From 1979 to 1985, they built an average of more than 600 million square meters a year.

Since 1979, when sweeping rural economic reforms began, an estimated 50 million-plus rural households have moved into new homes. China now has 180 million rural households.

The Ministry's Deputy Minister, Lian Zhong, predicted that annual housing construction in rural China from 1986 to 1990 would average about 700 million square meters and the building of two or three-storey houses would increase from the present 13 percent to 20 percent.

Rural people are expected to invest u 59 200 billion yuan in new housing between 1986 and 1990.

"After food and clothing, the top demand in the rural sector is for housing," Xu said.

Farmers' per capita income last year approached 400 yuan, compared with 355 yuan in 1984. Last year, rural bank deposits hit 72 billion yuan, 18.1 billion yuan more than in 1984.

To cope with the construction boom the Ministry of Urban and Rural Construction, launched by the State in 1982, has been working on individual construction plans for millions of rural towns and villages; they are to be completed this year, said Xu.

The purpose of the planning is to economize on the use of land, and devise scientific layouts for residential, industrial, agricultural, public and shopping areas.

Now construction plans for 85 percent of the country's 5 million villages and 84 percent of the 54,000 rural towns have been drawn up, the official revealed.

More than 500,000 newly-trained rural planners and surveyors have worked on the planning with the help of urban experts, he said.

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CSO: 4020/213

CONSTRUCTION

BRIEFS

NEW AIRPORT FOR XIAN--Xian, January 30 (XINHUA)--China has decided to build an airport in Xianyang City, 20 km northwest of Xian, capital of northwest China's Shaanxi Province, local officials said today. The Xianyang Civil Airport, a key project of the country's Seventh Five-Year Plan (1986-1990), is designed to accommodate Boeing 747s and to occupy five sq km. Equipped with advanced facilities, the airport is expected to handle 23 million passengers a year when completed in 1989. It will also open up air routes to Hong Kong, Japan and countries in Southeast Asia. Preparations are under way for the construction of the airport, which will start later this year and cost 240 million yuan (about 80 million U.S. dollars). There is also a civil airport in the provincial capital of Xian, which is one of China's most famous tourist spots. It attracted 200,000 foreign tourists last year, and is expected to receive half a million foreigners a year by 1990. [Text] [Beijing XINHUA in English 0659 GMT 30 Jan 86 OW] /12712

WATER DIVERSION PROJECTS PLANNED--Beijing, February 3 (XINHUA)--Two water diversion projects are scheduled to start this year for two Chinese cities in an attempt to ease their water shortage problems, according to local and international newspapers today. The water diversion project in Xian, capital of Shaanxi Province and one of the most famous tourist attractions in China, includes a reservoir with a storage capacity of 170 million cubic meters, 89 km of pipelines and a waterworks with a supply capacity of 600,000-800,000 cubic meters per day. According to the SHAANXI DAILY, when the first stage of the project is completed in 1988, it will supply the city with 450,000 cubic meters of water per day, doubling the present water supply. The project, which will divert water from the Heihe River west of Xian and cost 500 million yuan, will ease the city's water shortage and stop the lowering of the underground water level and surface subsidence due to the excessive tapping of underground water. Qingdao City in Shandong Province, which has a supply of 210,000 cubic meters of water per day--half the actual need--will divert water from the Yellow River to beef up the supply, according to the overseas edition of the PEOPLE'S DAILY. [Text] [Beijing XINHUA in English 1039 GMT 3 Feb 86 OW] /12712

ANHUI RIVER PROJECT--The State Planning Commission recently approved construction of the Xin'an Jiang project. The project, which calls for a total investment of 83.75 million yuan, will serve navigation, power generation, irrigation, flood prevention and tourist purposes when completed in 1990. It will enable vessels of as much as 300 metric tons in Huizhou Prefecture to sail directly from Tunxi to Hangzhou, Zhejiang. The power stations slated for the project will have a combined installed capacity of 13,800 kilowatts. [Summary] [Hefei Anhui Provincial Service in Mandarin 100 GMT 23 Jan 86 OW] /12640

KEY CONSTRUCTION PROJECTS--In his report to the regional meeting of banner and county CPC Committee secretaries, Comrade Bu He said: A group of key projects has been completed during the Sixth 5-Year Plan period. Ten of these key projects have been put into operation, including the Tongliao glassworks, the Chiefeng wool mill, and the Yuanbaoshan power plant. A total of 22 single-item projects have gone into operation, including an opencut coal mine in the south of Huolinhe, and the No 1 (Jiu) and No 1 (Baorixile) coal mines of the Yimin coal mining area. During the Sixth 5-Year Plan period, generating sets with a capacity of 1.3 million kw were newly added, the newly added coal mining capacity reached 8.94 million tons, the newly added timber lumbering and transport capacity reached 290,000 cubic meters, 480 km of railway track were laid, 3,984 km of roads were newly built or rebuilt, and two bridges spanning the Huang He were built. Greater progress had also been made in postal and telecommunications undertakings, and communications facilities. The completion of these communications and energy resources projects and other key projects has strengthened the reserve force for our region's development during the Seventh 5-Year Plan period and in the near future. [Text]
[Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 24 Jan 86]
/12640

CSO: 4006/690

DOMESTIC TRADE

BRIEFS

URBAN COMMODITY CIRCULATION SYSTEM--As a prelude to the reform of commerce in cities, the rudiments of an open, multi-channel commodity circulation system with few bottlenecks and good social results have now emerged. This is the unanimous view of the delegates to the 12-city experience exchange seminar on financial and trade work which closed today in Hangzhou. Commodity retailing, formerly a closed transaction, has now become open. The market for agricultural sideline products is thriving. Joint operations and marketing are widespread nationwide, breaking down regional barriers. There are now more urban commercial points than at any other time in history. [Text] [Jinan DAZHONG RIBAO in Chinese 6 Nov 85 p 3] 12581

RURAL TRADE FAIRS--Rural trade fairs, which number in the tens of thousands nationwide, have become an important channel in the circulation system for agricultural sideline products. Data provided by the State Industry and Commerce Administration show that there are now over 56,000 rural trade fairs across the nation and that their volume of business grew 66 percent in the first half of this year compared to the same period last year. Rural fair trade grew 36 percent, while its urban counterpart rose 78 percent. Overall, rural trade fairs continued to register an increase in business during the third quarter this year and rural trade fair prices are gradually being stabilized. [Text] [Jinan DAZHONG RIBAO in Chinese 6 Nov 85 p 3] 12581

CSO: 4006/536

FOREIGN TRADE AND INVESTMENT

STATE COUNCIL'S REGULATIONS ON FOREIGN JOINT VENTURES

Regulations To Be Adopted

HK210424 Beijing CHINA DAILY in English 21 Jan 86 p 1

[Article by staff reporter Liu Dizhong]

[Text] Flexible new measures are to be adopted to help Sino-foreign ventures get around the problem of foreign currency account deficits.

The moves are part of the nation's efforts to make equity joint ventures easier to run and accommodate the interests of foreign investors, said Gu Ming, head of the Economic Legislation Research Centre under the State Council, in an interview with CHINA DAILY.

The measures--including import substitution--are laid out in a set of new "Regulations of Foreign Currency Balance of Equity Joint Ventures," which is to be issued this week by the State Council.

For variety of reasons, not all equity joint ventures have a favourable balance of earnings in foreign exchange from which the investor may draw to send profits abroad, Gu said. Neither is it possible for a developing country like China to use its scarce foreign exchange reserves to subsidize joint ventures running a deficit in foreign exchange earnings, he added.

The new regulations are based on other countries experience and Chinese circumstances. Flexible features include the following:

- If a joint venture approved by departments at national or local level is running a deficit, the department concerned may draw on the foreign exchange reserves of all equity joint ventures under its administration to help out that particular enterprise;
- If a foreign investor brings in advanced technology to produce sophisticated and internationally competitive products, with the approval of authorities concerned, higher quotas of domestic sales for longer period will be considered;

-- If import substitution is approved by central or local authorities, domestic sales at international prices will be encouraged and foreign currency will be made available by the authorities to enable the ventures to balance in foreign currencies;

-- Equity joint ventures may quote prices and settle accounts in foreign currency if their products are sold to Chinese enterprises having foreign currency reserves, subject to the approval of the state foreign exchange control departments;

-- Foreign investors are allowed to establish two or more equity joint ventures on Chinese soil and they may pool the legitimate foreign currency earnings of all these joint ventures instead of trying to balance the books of individual ventures;

-- In the case of a joint venture with a foreign currency deficit, the state encourages the foreign partner to re-invest his share of RMB [Renminbi] earnings in another joint venture with a foreign currency surplus, enabling the foreign partner to send his legitimate profits abroad.

Equity joint ventures were started in 1979 and are one of three main methods China uses to attract foreign investment. The other two are contractual joint ventures and wholly-owned foreign companies.

Since then, about 1,890 Sino-foreign joint ventures have been set up throughout the country involving a total investment of \$2.8 billion.

Despite these flexible policies, Gu stressed that the regulations still urged all equity joint ventures to promote exports and strive for a favourable balance in foreign exchange earnings.

Regulations Issued

OW280410 Beijing XINHUA Domestic Service in Chinese 0038 GMT 26 Jan 86

[Text] Beijing, 26 Jan (XINHUA)--The State Council's Regulations on the Balance of Foreign Exchange in Joint Ventures Using Chinese and Foreign Investments. (Promulgated by the State Council on 15 January 1986)

Article 1: These regulations are issued to encourage foreign investors to set up joint ventures with Chinese firms, to assist them to balance their foreign exchange in order to contribute to their production and business operations, and to assist them to remit their legally-earned profits to foreign countries.

Article 2: Products manufactured by Chinese-foreign joint ventures should mainly be exported to earn foreign exchange, so that a balance in foreign exchange can be achieved.

Article 3: The adjustment of income and payment of foreign exchange of Chinese-foreign joint ventures set up according to law should be made by reviewing and approving authorities at various levels.

Adjustment of income and payment of foreign exchange of Chinese-foreign joint ventures, set up with the approval of responsible authorities of the state, should be made by responsible authorities of the state with the income in foreign exchange of all Chinese-foreign joint ventures in the nation. It may also be made according to a ratio agreed by responsible authorities of the state and local people's governments. Adjustment of income and payment of foreign exchange of Chinese-foreign joint ventures, set up with the approval of local people's governments or departments concerned of the State Council, authorized by the State Council, or commissioned by responsible authorities of the state, should be made by the local people's governments or departments concerned, with the income in foreign exchange of Chinese-foreign joint ventures set up with the approval of local people's governments or departments concerned.

Article 4: Favorable terms in percentage of domestic sales, and in the period permitted for domestic sales, may be given to high-technology products or internationally-competent high-quality products made with advanced or key technologies offered by foreign investors, if these products are badly needed domestically, and after they have been evaluated and approved by responsible authorities according to reviewing and approving procedures set up by the state. Such domestic sales should be specified in an agreement between supplier and customer.

Foreign exchange balance plans of enterprises stipulated in previous sections are to be drawn up by the responsible authorities approving the plans, in accordance with the prescriptions stipulated in Section 2 of Article 3 of these regulations. Foreign exchange balance plans drawn up by authorities approving the plans should, according to administrative procedures, be submitted to the Ministry of Foreign Economic Relations and Trade or local economy and trade departments for examination and opinions, and then submitted to the State Planning Commission or local planning commission for approval before they can be incorporated in a long-term or annual foreign exchange-expenditure plan.

Article 5: Products which have to be imported on a long-term basis, or urgently, may be replaced by similar products manufactured by Chinese-foreign joint ventures, provided they are approved by responsible authorities of the State Council or local departments concerned on the basis of the quality and specifications of these products, as well as on how these products are imported. Such replacement should be specified in the agreement on setting up the joint venture, or in an agreement between supplier and customer.

Economic and trade departments should actively support domestic purchase units in signing purchase-marketing contracts with Chinese-foreign joint ventures mentioned above, based on international prices. The plan to use foreign exchange by these units should be subject to the prescription stipulated in Section 2 of Article 3 of these regulations; it should, according to administrative procedures, be submitted to the Ministry of Foreign Economic Relations and Trade or local economy and trade departments for examination and opinions; and should then be submitted to the State Planning Commission or local

planning commission for approval before it can be incorporated in a long-term or annual import and exchange-expenditure plan.

Article 6: In order to achieve a balance of foreign exchange, Chinese-foreign joint ventures, with the approval of departments of foreign economic relations and trade, may use a foreign co-investor's marketing network to export domestically-produced products for repayment. However, special approval must be obtained from the Ministry of Foreign Economic Relations and Trade for the export of products under the state's unified management, those subject to an export quota, or those requiring an export permit. Chinese-foreign joint ventures are not allowed to deal in the import and export of such products without prior approval.

Article 7: Authorities concerned will not be responsible for adjusting the imbalance of foreign exchange resulting from the failure of Chinese-foreign joint ventures to accomplish their committed export and foreign exchange-earning tasks, as stipulated in agreements concerned.

Article 8: Products sold by Chinese-foreign joint ventures to enterprises with foreign exchange-paying ability, in areas other than special economic and economic and technological development zones in coastal open cities, can be settled in foreign currency, with the approval of foreign exchange administration departments of the state.

Article 9: When the foreign exchange legally earned by Chinese-foreign joint venture(s) is surplus, while the foreign exchange earned by other enterprise(s) co-invested by the same foreign investor, entering two or more joint ventures in China (including different localities and industries), is deficient, the foreign investor is allowed to adjust the foreign exchange earned by his enterprises, with the approval of foreign exchange administration departments of the state.

Concurrence among all partners of the joint venture should be obtained before making the adjustment mentioned in the above section.

Article 10: With the approval of departments of foreign economic relations and trade and foreign exchange administration departments, foreign investors in Chinese-foreign joint ventures who fail to achieve a foreign exchange balance may use the profits in Renminbi earned from their joint ventures to reinvest in enterprises in China which will generate new foreign exchange, or increase their foreign exchange income according to the prescription stipulated in Article 7 of "The Law on Joint Enterprises Using Chinese and Foreign Investments." In addition to enjoying the preferential treatment of receiving a refund of part of their paid income tax, these foreign investors will earn foreign exchange from income newly generated by their reinvested enterprises, and may remit their legal profits to foreign countries.

Article 11: These regulations are applicable to Chinese-foreign cooperative enterprises in China, and joint enterprises and cooperative enterprises set up in inland China by companies, enterprises, or other economic organizations in

Hong Kong, Macau, and the Taiwan area. They are also applicable to joint or cooperative enterprises invested by overseas Chinese.

These regulations are not applicable to financial and insurance enterprises or the like set up in China by foreign co-investors. They are also not applicable to similar enterprises established in inland China by co-investors in Hong Kong, Macau, and the Taiwan area.

Article 12: These regulations shall govern where any regulations on the balance of foreign exchange of Chinese-foreign joint ventures established before the promulgation of these regulations are in conflict with these regulations.

Article 13: The Ministry of Foreign Economic Relations and Trade shall assume responsibility for interpreting these regulations.

Article 14: These regulations will go into effect as of 1 February 1986.

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CSO: 4020/207

FOREIGN TRADE AND INVESTMENT

3,000 ADVANCED TECHNOLOGY IMPORTS PLANNED FOR 1986-88

Shanghai JIEFANG RIBAO in Chinese 27 Nov 85 p 1

[Article by Huang Huachu [7806 5478 0443]: "More Technology Imports Planned for 1986-88"]

[Text] The State Economic Commission has decided that in addition to the 3,000 pieces of technology imported from abroad during the past 3 years, China will import a similar number of pieces of advanced technology in the first 3 years of the Seventh 5-Year Plan to promote the technological modernization of Chinese industry.

Most of the several thousand pieces of technology and equipment imported in the last 3 years of the Sixth 5-Year Plan reached international standards of the 1970's and early 80's. They have broadened our technological thinking and vision, raised the technological level of industry, and enhanced our capacity for self-reliance. The next 3,000 pieces of technology to be imported will be more geared toward the major thrusts in our industrialization, based on the present circumstances and needs of our enterprises. They will include know-how and key installations to complement or help assimilate what we have imported in the last 3 years. They will be the technology for making some of the products in short supply, particularly basic parts and components. They will be technology which can help light, textile, and electrical machinery industries upgrade and modernize their products and earn more foreign exchange. They will be the technology of quality control, standards testing, and so on.

The State Economic Commission has demanded that extra caution be exercised in determining our imports, that centralized import planning be carried out, and that foreign exchange be tapped in a multitude of avenues. In addition, scientific research, design, standards, and patent departments must strengthen feasibility research.

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CSO: 4006/532

FOREIGN TRADE AND INVESTMENT

DURATION OF JOINT VENTURES MAY BE EXTENDED TO 50 YEARS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 13 Dec 85 p 1

[Article by Yang Guojun [2799 0948 6874]: "Extension of the Duration of Joint Ventures Under Consideration"]

[Text] It has been learned from the second national working conference on economic law and theory currently being held in Guangzhou that the duration of Chinese-foreign joint ventures may be extended from 30 years to 50 years. Joint ventures which have specifically been approved by the State Council may last beyond 50 years.

A State Council official attending the conference has told reporters that the council is currently considering the extension of the duration of Chinese-foreign joint ventures. An announcement is expected within this year.

A decision in favor of extension will amend Article 100 of the "Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment." The article stipulates that in principle the duration of most joint ventures will range from 10 to 30 years but that projects which require massive investments and have a long turnover period and a low return rate may last beyond 30 years.

The decision mainly affects projects with the above characteristics, particularly those in which the foreign partner provides advanced, crucial technology to make state-of-the-art products able to compete in the international marketplace. It is understood that advanced, crucial technology consists of transducer technology, complex materials technology, genetic engineering, circulating and long-distance communications, and biophysics.

The official noted that the decision to extend the duration of joint ventures would facilitate the implementation of the open door policy, help attract more foreign capital, and introduce more advanced technology and scientific managerial experience.

He said, "Since we are in the process of drawing up legislation on Chinese-foreign joint ventures and wholly foreign-owned enterprises, the duration issue will be considered when we discuss the legislation."

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CSO: 4006/532

FOREIGN TRADE AND INVESTMENT

EXPERTS PRAISE FUJIAN'S STRATEGIC LOCATION

Fuzhou FUJIAN RIBAO in Chinese 24 Nov 85 p 1

[Text] Mr Newman, who is in charge of the Asian and Pacific section of the United Nations Industrial Development Organization [UNIDO]; Mr Mi Li Ge, director of its investment promotion office in New York; and Mr Yi Er-Ge, an expert with the investment promotion office in Cologne, talked to the press on the second floor of Dushan Exhibition Center at noon yesterday. They are here to attend the Fujian investment promotion symposium. In their opinion, "Fujian occupies a special strategic position, a base oriented toward the Pacific." They expressed the hope that "this symposium will be an exceedingly fruitful one and that more foreigners will realize the excellent prospects of investing in Fujian."

They began by noting that the goal of the UNIDO is to assist developing nations through industrial development. They said that their agency does not make investments as such, but rather acts as an intermediary between the partners of a project. They likened themselves to a "matchmaker" in search of capital. It is their aim to facilitate the flow of capital.

About their opinions of the Fujian investment promotion symposium, they said that its major objective is to provide a forum where people can negotiate deals. They hoped that China and delegates from other nations and regions can talk to one another face to face and tackle substantive matters, primarily joint ventures, compensation trade, industrial fund-raising and technology import, in order to enable Chinese products to make their way into the international marketplace. In short, it was their hope that through the symposium, everybody can get something he wants, whether it be technology, market, compensation trade, or a cooperative enterprise.

Why was Fujian chosen as the site of this symposium? They said, "Fujian occupies a special strategic position. It has the Xiamen Special Economic Zone. Fujian is a base oriented toward the Pacific. Its proximity to the trade center also makes it ideal as a venue for an investment promotion symposium. Through this seminar, we hope to sum up some of our experience and pass it onto China. The seminar is only the beginning. China must step up follow-up activities, ie., project evaluation, result assessment and adjustment to get a project really off the ground and running. Projects must be transformed into so many plants, so many joint ventures."

They also disclosed that to make the symposium a success, the UNIDO and its offices in New York and Cologne mounted a major publicity campaign to familiarize businessmen and firms with the purpose of the symposium and get them better acquainted with Fujian. In the United States, 150 firms requested project details from the New York office, while the Cologne office advertised the investment projects in the West German publication, FOREIGN TRADE NEWS, several times. They have also invited Fujian to send people to their offices so that together they can do a better follow-up job.

Finally, they praised the good work of the Xiamen municipal government and the symposium's organizing committee in preparing the meeting and said that it had been a pleasure working with them.

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CSO: 4006/536

FOREIGN TRADE AND INVESTMENT

HEBEI SIGNS LETTERS OF INTENT FOR GEOTHERMAL DEVELOPMENT

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 28 Nov 85 p 3

[Article by Hou Zhiyi [0186 1807 5030] and Yu Shaoliang [0060 4801 5328]:
"Hebei Develops Geothermal Resources with Foreign Cooperation"]

[Text] Stepping up cooperation with foreign investors to develop geothermal resources throughout the province, Hebei has recently signed letters of intent on cooperation in that field with such nations as Canada, Austria, and Japan.

Under Hebei regulations, foreign investors can undertake geothermal development on their own or in conjunction with Chinese partners. The net profits of a joint venture shall be distributed between its partners in accordance with the proportion of investment. The enterprise will revert to Chinese ownership after 25 years.

Hebei abounds in geothermal reserves. According to prospecting surveys by the geological agency, medium- and low-temperature geothermal resources ranging from 40- to 90-degrees Celsius have been found underneath one quarter of the province's area, or 50,000 square kilometers.

They include the 60 billion cubic meters of proven reserves in the central plain, a region with the greatest potential for geothermal exploitation and development in east China.

So far the province has drilled 260 geothermal wells, of which over 90 have produced good results. Local governments have been making use of geothermal energy to build public bathhouses and convalescent homes, to incubate young chicks and to breed tropical fish. In Xiong County, energy from a geothermal spring was used to put up a tannery with a daily output of 120 pieces of sheepskin, all high-quality leather completely tanned by geothermal water. The use of geothermal energy saves the tannery 30,000 yuan in fuel costs each year.

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CSO: 4006/532

FOREIGN TRADE AND INVESTMENT

TIANJIN INVESTS IN 17 JOINT VENTURES OVERSEAS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 13 Dec 85 p 1

[Article by Cong Wenzhi [0654 2429 3320]: "Tianjin Investments Overseas"]

[Text] It has been learned from the Tianjin Foreign Economic Relations and Trade Commission that so far Tianjin has established 17 Chinese-foreign joint ventures in such nations and regions as the United States, Canada, Japan, and Hong Kong. Of these 17 joint ventures, 10 are in trade while 7 are industrial concerns.

Total Chinese investments in the 7 industrial joint ventures amount to \$4.47 million, or 42.4 percent of overall investments.

Tianjin's joint ventures overseas can be found in rod welding, shoe-making, condiments, non-staple foodstuffs, textiles, pig-raising and die manufacturing.

Most of the enterprises which invest overseas have modern facilities in Tianjin, along with formidable technical know-how and solid economic strength, and are the makers of brand-name Tianjin products. The Tianjin Welding Rod Company, whose well-known Youngjiu brand of welding rod is exempt from international testing, has set up a joint venture with Pakistan, the Chinese-Pakistani Friendship Welding Rod Co., Ltd. Its contract provides for an annual production capacity of 6,000 tons of welding rods.

The establishment of a joint venture abroad usually involves investments by both the economic and foreign trade agencies in Tianjin. This arrangement helps ensure that the project is really implemented in all its different aspects. In selecting projects, they begin with modest ones and then work their way to bigger undertakings.

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CSO: 4006/532

SPECIAL ECONOMIC ZONES

GUANGDONG'S SHANTOU SPECIAL ZONE

Development Plans

HK130703 Beijing ZHONGGUO XINWEN SHE in Chinese 1438 GMT 9 Jan 86

[Text] Guangzhou, 9 Jan (ZHONGGUO XINWEN SHE)--Liu Feng, chairman of the Shantou Special Economic Zone administration, has said: The zone has laid an initial foundation in industry with a certain degree of adaptability. In the new year, we must give full play to its role as an Overseas Chinese native place and work hard to develop the export-oriented economy.

Liu Feng continued: Since its establishment at the end of 1981, the Shantou Special Economic Zone has strengthened its ties with natives of Shantou residing abroad, and compatriots in Hong Kong and Macao, to seek their contributions to the construction of the zone through its advisers group and investment and consultancy company in Hong Kong. In addition, the zone also adopted some preferential policies for their investment. By the end of 1984, 42 foreign and Hong Kong companies had invested in the zone. In 1985, foreign investors who came to the zone increased by a big margin. From January to November, 1985, contracts for 25 investment projects were signed, with a total investment of HK\$180 million. A number of investment projects are still under discussion.

Liu Feng also said: From the very beginning of its founding, the zone has developed industry and tourism in adherence to the principle of relying mainly on foreign funds in capital resources and giving first place to the development of industrial production and export business. Meanwhile, it also built a certain number of horticultural gardens, orange orchards, fishing grounds, and wild animal breeding farms by making full use of the advantages of Shantou such as intensive and meticulous farming, its long coast line, and abundant aquatic resources. Moreover, over 80 percent of manufactured goods of the zone such as plastics, clothes, electronic toys, carpet, porcelain, and artificial ornaments are sold in world markets, and products for export also include some farm and aquatic products.

Liu Feng concluded: From now on, the Shantou Special Economic Zone administration will adopt the principle of using advanced foreign technology to exploit local natural resources, develop local major industries, and promote local scientific research. Priority will be given to importing

technology for the development of the electronics, plastics, petrochemical, food-processing, up-to-date packing, textile, and other light industries. This will help build the zone into a base for the processing industry which is mainly aimed at export of local products.

Investment Conditions

HK100539 Hong Kong SOUTH CHINA MORNING POST in English 10 Jan 86 p 11

[Compiled by Timothy Jim]

[Text] Extensive business discussions between representatives of Shantou City and overseas traders--stemming from a recent symposium--has resulted in 52 contracts amounting to over US\$1.7 billion (about HK\$13.2 billion) by the end of last year.

Shantou was the most successful of all the 19 areas represented in the symposium.

Its biggest single project was worth US\$600 million (about HK\$4.6 billion).

So despite a relatively late start compared to other special economic zones [SEZ's], Shantou leaders have put 3 years of effort into improving investment conditions and devising a set of laws and regulations to protect investments and profits and instil confidence in the SEZ's potential investors.

They deemed it a good sign when central government approved the expansion of the SEZ's geographical and administrative boundaries which would add favourably to the long-term development.

The decision has made Shantou unique.

Up to the end of last year, no other municipal government has ever shouldered such a large responsibility.

With a population of 730,000, the 256 sq km city administers eight counties and six districts as well as the newly designated SEZ.

The total area under Shantou's administration is 10,346 sq km, containing 8.95 million people.

Moreover, the central government gave the green light for Shantou SEZ to extend to a total area of 52.6 sq km, consisting of the 22.6 sq km Longhu and the 30 sq km Guangao districts.

While this will allow the SEZ to take full advantage of its natural geographic conditions, officials are careful not to embark on too ambitious plans.

When Shantou first opened as a special economic zone in 1979, priority was given to developing the Longhu industrial section.

The first two batches of factory buildings suitable for light industries are in use, and projects to build office and trade buildings, a fire station, foreign investors' apartments, and the third batch of factory buildings will begin soon.

The aim now is to create further favourable investment and living conditions to attract foreign investors.

These will include a customs office, banks, and insurance companies, a transformer substation, microwave telecommunications, computer-controlled telephones and telex systems.

Meanwhile, officials in Longshu said they particularly welcome investments in electronics, plastics, and chemicals manufacturing; textiles, leather, and food processing; agricultural tourism and property developments; and light industry and infrastructural projects.

The Longshu industrial section is built on flat, dry land. It is above sea level and is not susceptible to tidal floods.

Its surface is fine sand, under which clay loam, and construction work can be carried out on it after levelling.

Guangao, on the other hand, is placing more emphasis on developing petrochemicals industry.

Of its total 30 sq km of land, two-thirds will be allotted to building an integrated petrochemicals complex. The district will also serve as a rear supply base for the South China Sea oilfields.

In northwest Guangao, where a beautiful natural bay is located, 10 sq km has been set aside for a residential centre incorporating financial and commercial buildings, holiday villas, workers' apartments, and entertainment facilities.

In 1983 Shantou's total output value reached a record high of RMB\$4 billion (about HK\$11.2 billion).

Improvement Attempts

HK100537 Hong Kong SOUTH CHINA MORNING POST in English 10 Jan 86 p 11

[Compiled by Timothy Jim]

[Text] Shantou is fighting unrelentingly to catch up with the time and opportunities it has lost to the other three special economic zones [SEZ's].

The biggest hurdle to be overcome is lack of capital, said the deputy director of the Shantou SEZ administration, Mr Chen Xufan.

Describing Shantou as the "poor little son" of Guangdong Province, Mr Chen said much of the province's capital has gone to "bringing up" the other two more precious sons, Shenzhen and Zhuhai.

"The idea of the central government is to let the other SEZ's develop first. So it was not until December, 1980 that we got the go ahead," he said.

Building an infrastructure began in September 1982 and so far about 270 million has been spent in turning what was originally a swamp into factory workshops, a port, and other facilities.

The provincial government put up about \$427,000 for initial investment.

"This is the smallest single lump sum given to any of the three SEZ's in the province," Mr Chen said.

The formation of the second border at Shenzhen alone received about 540 million from the provincial government, he said.

In addition, both Shenzhen and Zhuhai are exempt from provincial tax for 5 years. This means Shenzhen will have a tax saving of about 540 million, said Mr Chen.

But a similar request to the provincial government for tax exemption for Shantou had been turned down, he said.

By 1982, a new provincial policy will be implemented to make Shantou District financially self-supporting. It will be allowed to keep 55 percent of its tax money.

Mr Chen said revenue from tax for the whole district amounts to about 118.8 million a year. Of this amount, more than 81 million is basic government expenditure.

Of the remaining 27 million to 37.8 million, roughly 30 percent is allocated for the whole district's development budget.

"This means the Shantou District government can only allocate a little over six million yuan (about 16.2 million) for the development of the SEZ," Mr Chen said.

"The idea of being self-supporting, on the other hand, has its merits," he said.

"For if we strive harder, we may generate a greater development fund for the SEZ."

Meanwhile, the provincial government has relented and agreed to set up a special fund which will increase progressively to assist Shantou.

So by the time the self-supporting policy comes under review in 1989, Shantou SEZ can expect to receive more than 81 million in extra subsidy.

The SEZ would attract more funds from joint ventures with foreign investors and other mainland provinces as well as bank loans, Mr Chen said.

Mr Chen said: "The central government has to let Shenzhen develop first, which is understandable.

"And the Guangdong provincial government has to let Shenzhen and Zhuhai develop first, which is also understandable."

The theory was that emphasis should first be placed on developing Shenzhen because of its concentrated population and material resources. After experience was gained there, development of Shantou began at the end of 1981.

"Shantou's development was based on a practical and realistic style of work, and the area's natural advantageous conditions and resources," Mr Chen said.

Early in 1984, Mr Hu Yaobang, the general secretary of the Communist Party and other Central Committee members visited Shantou City.

Mr Gu Mu, a member of the Secretariat of the Central Committee and state councillor, also inspected the SEZ later the same year.

In November 1984, the State Council officially approved expanding Shantou to 56 sq km. Shantou City also became entitled to the same preferential treatment as China's 14 open coastal cities.

Meanwhile, Mr Chen maintained Shantou officials are psychologically prepared to accept less favourable treatment and are only too keen to initiate their own strategy.

They have formed one of the biggest and brightest think-tanks of consultants from Hong Kong, Macao, Singapore, Thailand, and the United States, not to mention those from Shanghai and Beijing.

In August last year, a group of prominent Hong Kong and Macao business and industrial bosses were asked to help speed up development of the SEZ.

Among them were the vice-president of the Chinese Manufacturers Association, Mr Ngai Shiu-kit, and the chairman of the Nanyang Commercial Bank, Mr Chuang Shih-ping.

Others included Hong Kong property tycoon Mr Li Kashing and members of the Hong Kong Shantou Trading Association and Chaoyang Trading Association.

Economic Results

HK270428 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 20 Jan 86

[Text] In the course of capital construction, Shantou Special Economic Zone acted according to its capability when developing the area. It also emphasized economic results, therefore achieving successes.

The capital construction projects of Shantou Special Economic Zone was started in March 1982. In connection with the special conditions of the zone, the administrative committee of Shantou Special Economic Zone formulated the capital construction principle of making overall planning, acting according to its capability, and developing in stages.

Over the years, Shantou Special Economic Zone allocated 70 percent of its limited capital to the development of production trades, energy resources, transportation, telecommunications, and so on.

It has built a 110 kilovolt-ampere [words indistinct] transformer station and berths for ships with a tonnage of 3,000 tons; has bought small freighters and offered them for sailing between Shantou and Hong Kong; and has completed installation of 1,500 telephone sets. Over the past 3-odd years, the total area of construction sites in Shantou City has been 329,000 square meters. By the end of 1985, it completed 160,000 square meters of the construction sites. Most of the projects are industrial plants, warehouses, airport, and other productive ones. Some are residential, commercial, and tourist projects, as well as those facilities for daily necessity.

Since Shantou Special Economic Zone developed the area step by step, it has achieved better economic results. By the end of 1985, the zone completed the construction of 12 blocks of light industry plants. Of them 10 were sold, and 46 industrial enterprises started operation in the plants. From 1984 when the zone's capital construction began bringing returns to the end of 1985, the zone accumulatively collected a total profits and tax delivery equivalent to 60 percent of the investment sum of capital construction.

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CSO: 4020/206

SPECIAL ECONOMIC ZONES

SHENZHEN'S AGRICULTURAL EXPORTS 50 PERCENT OF GROSS OUTPUT

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 27 Dec 85 p 3

[Text] Shenzhen's agriculture, export-oriented and geared to earning foreign exchange, has made rapid progress. Over the past 5 years, the municipality's agricultural, animal husbandry, and fishery sectors have established over 600 technically advanced commodity production bases.

Statistically, agricultural exports make up 50 percent of Shenzhen's gross output this year. Its agricultural exports to Hong Kong alone are worth 500 million Hong Kong dollars, of which 300 million are net earnings after accounting for such expenses as technology and equipment imports totalling 200 million Hong Kong dollars.

Shenzhen has developed its agriculture with the international market in mind. It goes out of its way to gain access to information on changes in the Hong Kong market and loses no time in modifying its product mix and variety and improving quality, standard, packaging, and supply methods to suit consumers' changing demands for foodstuffs. It is by catering to what the Hong Kong consumer wanted and acting quickly, for instance, that Shenzhen managed to sell 9 million live chickens to Hong Kong this year. Eighty percent of the people in Hong Kong are Cantonese who have always liked local chicken. Over the past several years, however, the Hong Kong market has been flooded with foreign chickens. Zeroing in on this situation, Shenzhen introduced a new, high-grade chicken known as "sanhuang" by crossbreeding longgang and huang chickens with other breeds. "Sanhuang chicken" pleased the Hong Kong palate so much that it soon captured one third of the colony's live chicken market.

Hong Kong consumers are becoming more and more sophisticated. To adapt to this trend, Shenzhen is making a major effort to develop high-grade products. In recent years, the state-run Xixiang Pig Farm in Poan County has eliminated high-fat pigs and bred a new breed which produces lean pork. The latter has found much popularity in Hong Kong.

Situated at the Zhujiang delta where fresh water meets salt water, Shenzhen over the past few years has earned a handsome profit from aquaculture. Using Japan's rafting method of oyster-breeding, it succeeded in expanding its oyster-breeding grounds and boosting output. This year it exported over 20,000 dan of fresh oysters and taken in over 20 million Hong Kong dollars in foreign exchange.

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CSO: 4006/532

TRANSPORTATION

SHAANXI SHOWS DECREASE IN VOLUME OF RAILROAD FREIGHT TRANSPORT

HK031327 Xian XIBEI XINXI DAOBAO in Chinese No 2, 13 Jan 86 p 1

[Report: "Shaanxi Railroad Freight Transport Situation Eases"]

[Text] The strains on railroad transportation in Shaanxi have been replaced by slackness. The Baoji and Ankang Railroad Bureaus in particular do not have much to transport. In previous years, the fourth quarter was always busy with industrial production and railroad transportation. However, the situation was quite different last year. It is said that as a result of the state's stricter macroeconomic control and its curtailment of capital construction and construction in the mining industry, the volume of freight transport decreased. The diversion of part of the short-distance freight transport from the railroads to the highways can be accounted for, by the additional charge for the transportation of goods for a distance of less than 200 kilometers. Naturally, there should be a decrease in the volume of railroad freight transport. However, behind this slackness there are problems. For various reasons, the railroad departments could not, or even dared not, transport some goods although there was plenty to be transported.

Less locally produced coal was transported to other provinces. Last year it was at first planned that 1.3 million tons of coal produced by local mines would be transported to other provinces. However, because of polyarchical management and the additional charge, the province could transport only 800,000 tons of coal to other provinces, about 500,000 tons less than in 1984.

Chemical fertilizers did not sell well last year. Last year, the marketability of chemical fertilizers produced by the province was affected by the presence of imported chemical fertilizers on the market. Some of these chemical fertilizers would have been sold to Shanghai and Guangzhou were it not for the restrictions. Consequently, there was an overstock of chemical fertilizer and yet the railroad departments had little to transport. Last year, the Baoji Railroad Bureau tried its best to make things as convenient as possible for those who transported chemical fertilizer by train. Disregarding whether or not its service was called for by the plans, and whether or not its service might impede its regular work, it simply transported chemical fertilizer for whoever asked it to do so. Even by doing this, last year it transported 50,000 tons less chemical fertilizer than required by the plans.

Last year, phosphate was not marketable. The quality of the phosphate produced by the province was quite poor (most has a phosphate content of less than 23 percent). Last year, the sales of locally produced phosphate were also affected by imported phosphate. According to the plans, the Ankang Railroad Bureau should transport 100,000 tons of phosphate. However, it transported only 23,000 tons, 77,000 tons less than the planned amount.

Things were less difficult with the Xian Railroad Bureau, which had much coal to transport. However, it still had difficulty fulfilling the transportation task assigned by the provincial authorities.

Last year's slackness is far more a bad sign than a good one and it will have some undesirable consequences for 1986. It is said that both the Baoji and Ankang Railroad Bureaus have to formulate less ambitious freight transport plans this year. The former will transport 350,000 tons less and the latter 410,000 tons less than last year. However, the Xian Railroad Bureau expects an increase of more than 800,000 tons, mainly because it can count on its monopoly of coal distribution. All the departments concerned should pay close attention to this problem.

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CSO: 4006/692

TRANSPORTATION

PRC'S SUCCESSFUL TRIAL FLIGHT OF 'PETREL' MULTIPURPOSE PLANE

HK310227 Beijing ZHONGGUO XINWEN SHE in Chinese 1001 GMT 17 Jan 86

[Text] Nanchang, 17 January (ZHONGGUO XINWEN SHE)--The "Petrel" multipurpose plane, which was developed by Nanchang Aircraft Corporation, recently passed it's experimental test flight. The plane is another new product in the series of planes developed in China for civilian use.

The "Petrel" plane was transformed and designed based on the model of the Trainer-6, which won a gold medal at the national quality appraisal meeting. The plane's effective carrying capacity is 700 kilograms and highest speed is 290 kilometers per hour. The plane comes in three models, A, B, and C. These have various types of equipment fits so that it can be used for multiple professional purposes. The results of the experimental test flight show that the plane can fly deviating only 1.5 meters from the operational altitude and carry out operations at low altitude. The plane's low-flight altitude is 3 meters lower than the standard international operational altitude set for civilian planes. The plane's other functions also exceed or approach the standard of advanced professional planes of other countries in the world.

According to the Nanchang Aircraft Corporation spokesman, the "Petrel" multipurpose plane will be exported this year.

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CSO: 4006/692

TRANSPORTATION

SHAANXI TO OPEN HUANG HE TO LARGE CARGO SHIPS

HK310645 Beijing CHINA DAILY in English 31 Jan 86 p 3

[Article by staff reporter Jing Jun]

[Text] A provincial government has resolved to take the lead in harnessing the wild Yellow River by opening a transport route designed to handle large cargo ships.

The Shaanxi Provincial Government has decided to embark on an ambitious plan to build a 586-kilometre water route along the raging Yellow River this year. Experts have mapped out detailed plans to eliminate dangerous rapids and then to reinforce the river banks, provincial authorities announced this week.

The task of taming this section of the Yellow River was approved by the government after it received appeals from people along the river banks who suffer from the flooding and hard living conditions created by this most difficult of all China's rivers.

The economic purpose of the project is to create a route to carry coal from the Yulin Region on the middle and lower reaches of the river. More than 100 billion tons of coal deposits remain untapped because of acute transport difficulties, the government officials said.

The new navigation plan is intended to help local people tap other resources within this section of the river as well, according to the provincial government.

Shipping coal from the Yulin Region has been a dream of the province for years. Although it is located in the cradle of Chinese civilization, the river has been left behind in modern development. While it remains unutilized, the economy in the basin area is held back. The difficulties of harnessing the river has seemed insurmountable.

But the current plan to create a safe water course for big ships to transport coal is regarded as a sound remedy. It links the direct economic results of taming the river to the development of the region's rich resources of minerals.

Experts say the focus of the country's economic development is expected to shift gradually from the coastal areas to the western areas--a vast area with rich natural resources. It has been planned that the development will move westwards along the Yellow and Huai Rivers which flow east to northern and central China.

Coal deposits along the Yellow River, especially its middle reaches within Shaanxi and Inner Mongolia, amount to 60 percent of the country's total reserves. Making this section of the river into a transport artery is the key to developing the region.

The 5,464 kilometre river is China's second largest and its drainage area extends for 750,000 square kilometres. The river basin makes up about 8 percent of the country's area.

Despite the rich resources along the river, people living on its banks still lead a hard life. Half of the country's poor counties are situated along the river where the average annual income of the farmers is only about half of the national average.

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CSO: 4020/214

TRANSPORTATION

BRIEFS

DEEP-WATER BERTHS--Beijing, 28 Jan (XINHUA)--China last year completed 33 deep-water berths capable of accommodating 10,000 dwt ships, according to the Ministry of Communications. This has brought the total number of such berths in the country to 206 and they have a combined handling capacity of 300 million tons of cargo a year. During the 6th 5-Year Plan period (1981-1985), construction started on a total of 132 deep-water berths. China has now altogether 62 ocean-going shipping companies totalling 3 million dwt, ranking ninth in the world. [Text] [Beijing XINHUA in English 1443 GMT 28 Jan 86] /9599

INLAND DOCK IMPROVEMENTS--Beijing, 4 Feb (XINHUA)--China plans to improve the facilities at 41 inland docks in the next few years, according to the overseas edition of the PEOPLE'S DAILY today. After completion, the improvements will add 60 million tons of freight capacity a year. The Ministry of Communications has decided to earmark 1 billion yuan for the plan. The docks are located at cities along the Yangtze, Zhujiang (Pearl), Heilongjiang, and Huaihe Rivers, and the Beijing-Hangzhou grand canal. [Text] [Beijing XINHUA in English 0759 GMT 4 Feb 86] /9599

JIANGSU'S NANJING PORT--Preparations have been made to open Nanjing Port for foreign vessels in the near future. Arrangements have also been made to provide living, cultural, and medical facilities for foreign sailors. Nanjing Port is China's largest inland port. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 17 Jan 86 OW] /9599

YUNNAN SIMAO-LANCANG ROAD--The first phase of the Simao-Lancang road, a key project in Yunnan Province, was opened to traffic today. The length of this phase of road is 77 kilometers. Now, trucks fully loaded with goods can go to (Hulushi) along the banks of the Lancang Jiang, and along the banks of the (Hei) He respectively, from the (Cuiyun) District in Simao and from the Lancang County seat. The Simao-Lancang road has been built by the people with public subsidies. This is the first time this method of operation has been adopted by our province. Construction of the road commenced in September 1984. By the end of January this year, 5.8 million cubic meters of earth- and stone-work, 71 percent of the total work of the project and 135 kilometers of the roadbed, had been completed. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 27 Jan 86 HK] /9599

SICHUAN-XIZANG ROAD REPAIRED--As a result of mud-rock flow, the (Kuolong) section of the Sichuan-Xizang road has been damaged for nearly 8 months. After 67 days of rush repairs by the Xizang Regional Road Administrative Bureau, this section was opened to traffic on 25 January. On 29 May last year, an extraordinarily large mud-rock flow occurred continuously at the (Kuolong) section. The mud-rock flow damaged the road, swept motor vehicles away, and engulfed houses. The losses were very serious. On 19 November last year, the Regional Road Administrative Bureau's (Kuolong) rush-repairing command organized construction forces to begin rush-repairs. [Summary] [Lhasa Xizang Regional Service in Mandarin 1130 GMT 27 Jan 86 HK] /9599